

An aerial photograph of a residential neighborhood with several houses, green lawns, and trees. A blue diagonal banner is overlaid on the left side of the image, containing the main text.

# HaMMR Digest

Stay current with economic and mortgage market trends.

April 15, 2024

**Parker Ross** — Global Chief Economist  
pross@archgroup.com | 914 216 7270

**Leonidas Mourelatos** — Director of Real Estate Economics  
lmourelatos@archgroup.com | 631 521 9048

### Confidence Roller Coaster

- **Key Takeaway:** Consumer inflation was “hot” in March, causing market pricing to move from three Fed rate cuts this year to two.
- **Macro Implications:** We now see July as the most likely start for Fed rate cuts, with June still in play if inflation data cools rapidly.
- **Housing Implications:** Heightened rate volatility and the upswing in Treasury yields will delay mortgage rate normalization, impeding activity.

### Macro: All About Prices

- Consumer price disinflation process slowing to a crawl in first quarter.
- Preliminary consumer inflation expectations for April ticked higher.
- Small businesses remain concerned about sales prospects.

### Rates: Never a Dull Moment

- Market odds for first rate cut pushed back to July from June.
- 10-yr UST rose 9bps w/w to 4.49%, hitting a high of 4.58% mid-week.
- Fed’s preferred measure of inflation (PCE) released later in the month.

### Housing: Great Mortgage Rate Unwind Will Have to Wait

- Mortgage rates crossed above 7%, reaching ~7.4% on April 11.
- Purchase applications struggle to rebound with rates elevated.
- Weekly pending sales data show significant loss in momentum.

### Consumer Inflation: Not According to Script

- Headline and core consumer prices were up 0.4% in March.
- Key drivers are shelter, transport and medical services (core).
- Energy inflation rose annually for first time in 13 months.

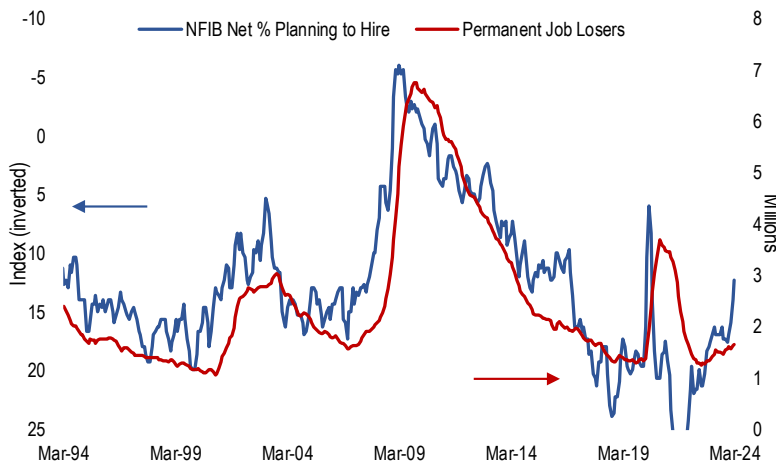
### Producer Inflation: Takes the Sting Out of CPI

- Headline producer prices rose 0.3% in March, with core up 0.2%.
- There were no signs of supply chain issues with core goods up 0.1%.
- Core services rose at the slowest monthly pace since Nov. 2023.

### Small Business Sentiment: Lowest Since 2012

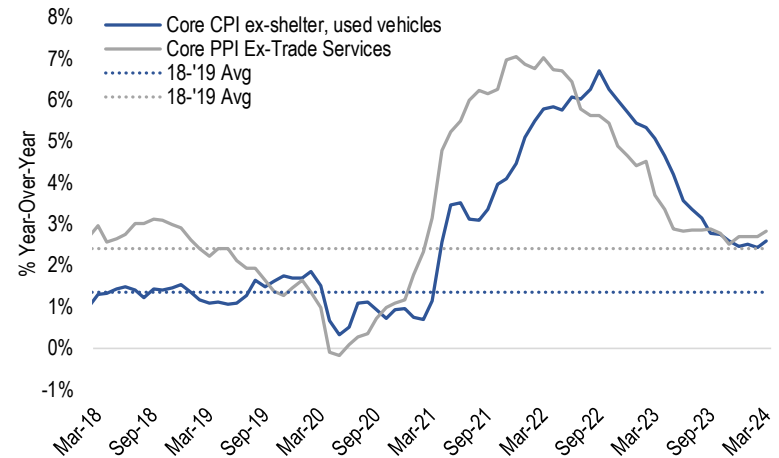
- NFIB Optimism Index declined for the third straight month.
- Details point to poor sales expectations and reduced hiring.
- Credit conditions have largely normalized.

### Falling Small Business Hiring Plans Typically Leads Job Losses. However, Transmission Seems Delayed

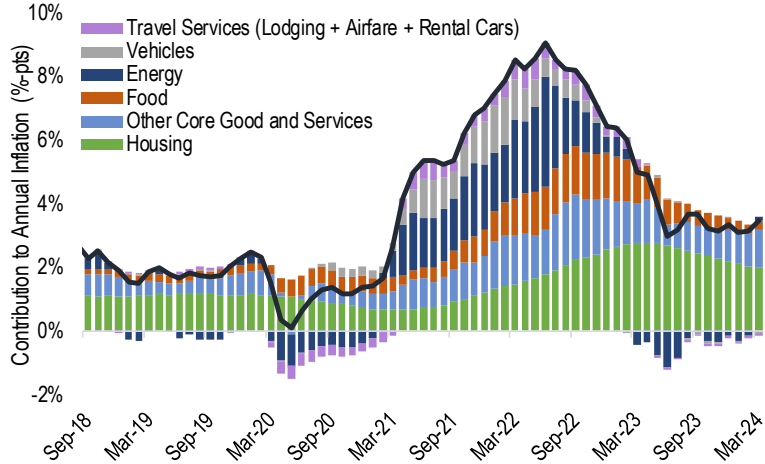


Sources: U.S. Bureau of Labor Statistics (BLS), National Federation of Independent Business (NFIB), Arch Global Economics

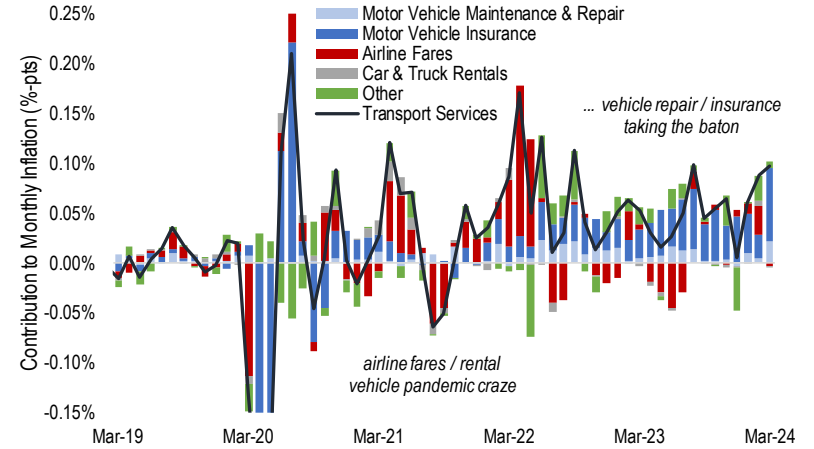
### Flattening Out Before Decelerating or Forming a Base for Another Leg Higher? We Think the Former



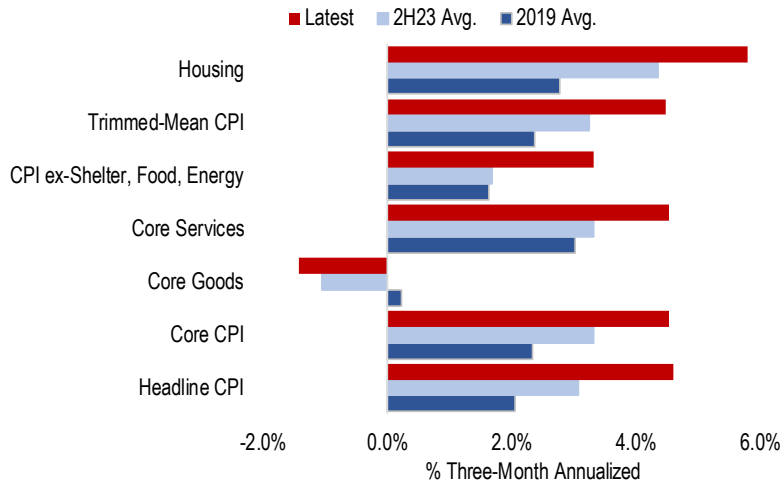
**Annual CPI Inflation Showing Signs of Picking Up Amid Sticky Core and Rebounding Energy Prices**



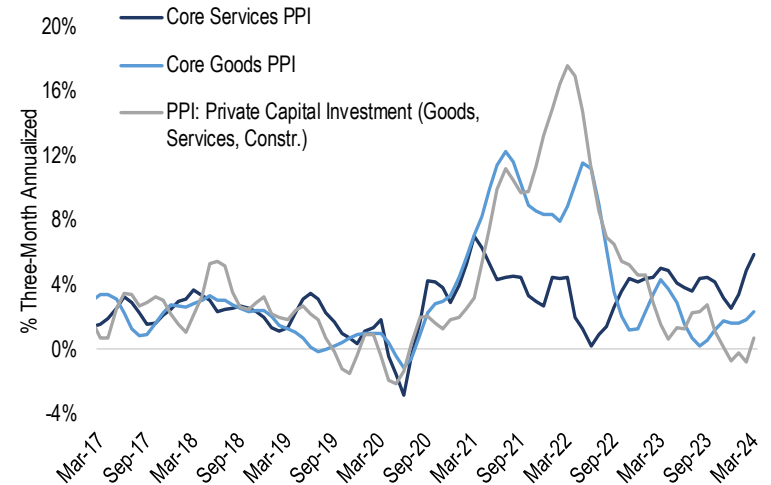
**Transport Services Have Become the Post-Pandemic Poster Child for Sticky Core Prices Aside from Shelter**



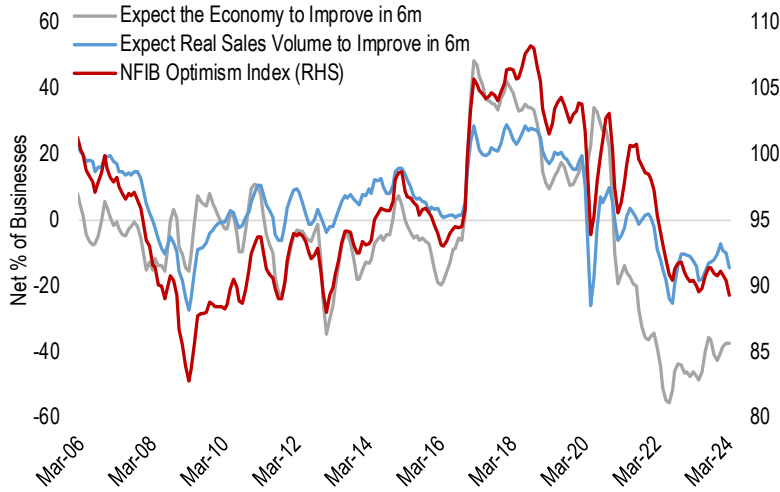
**Three-Month Annualized Inflation Getting Bump from Core Services Beyond Shelter**



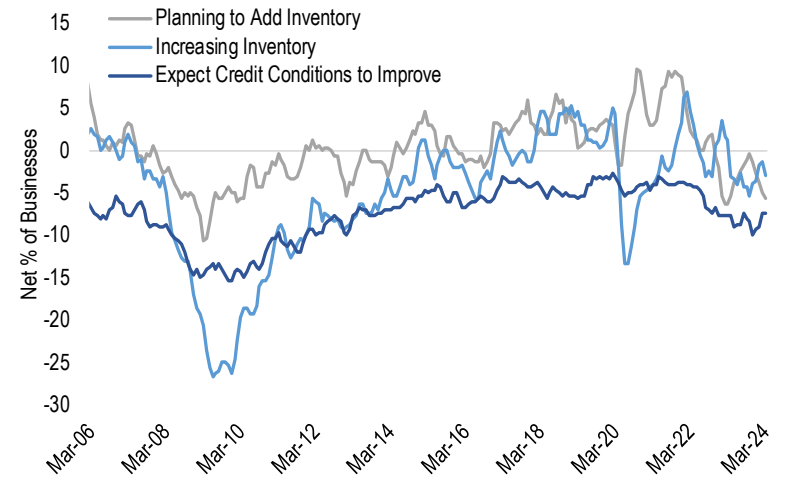
**Drag from Goods Disinflation Likely Has Run Its Course While Services Prices Remained on Firmer Side**



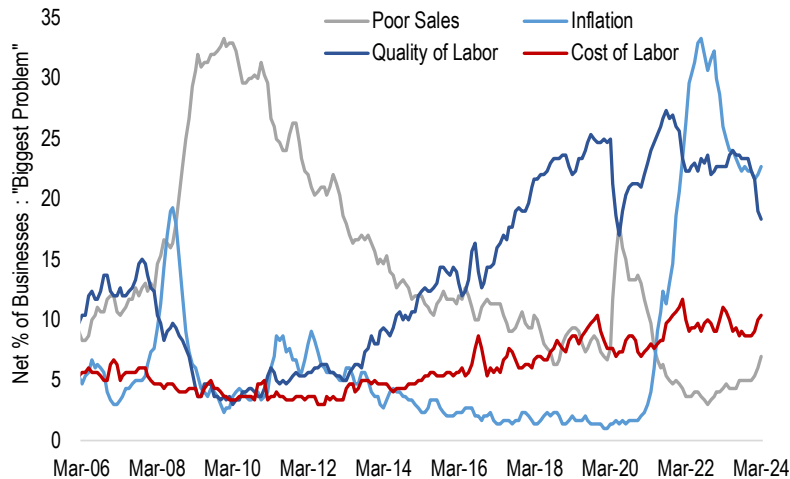
**Small Business Optimism Declined for Third Straight Month as Sales Expectations Fell Again**



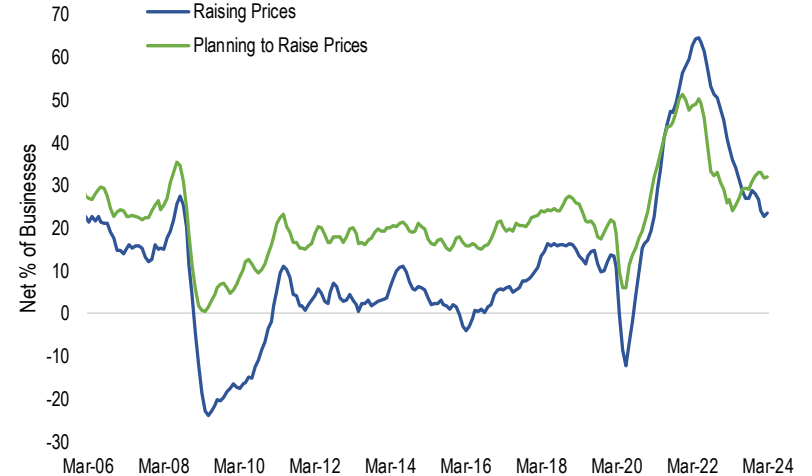
**Credit Conditions Are Normalizing, but an Uncertain Outlook Is Keeping Investment Intentions at Bay**



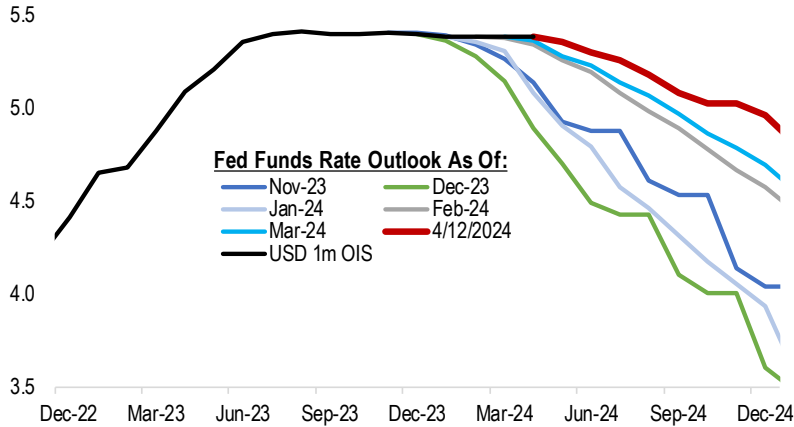
**"Inflation" Regains Top Spot as "Biggest Problem" for Small Businesses ...**



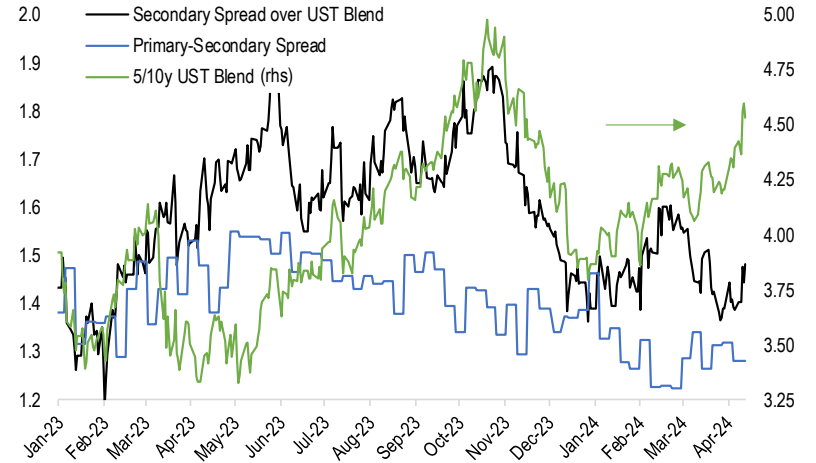
**... which Is Why More Firms Are Raising or Planning to Raise Prices Now vs. the Pre-Pandemic Norm**



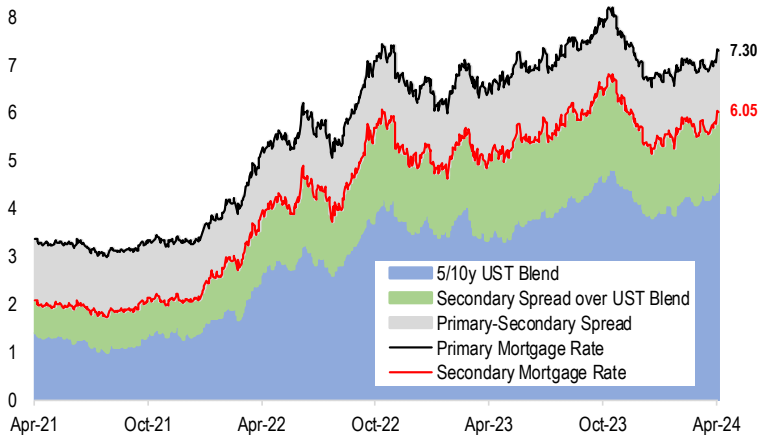
**Market Odds of a June Rate Cut Down to ~30% as Fed Expected to Keep Rates Higher for Longer**



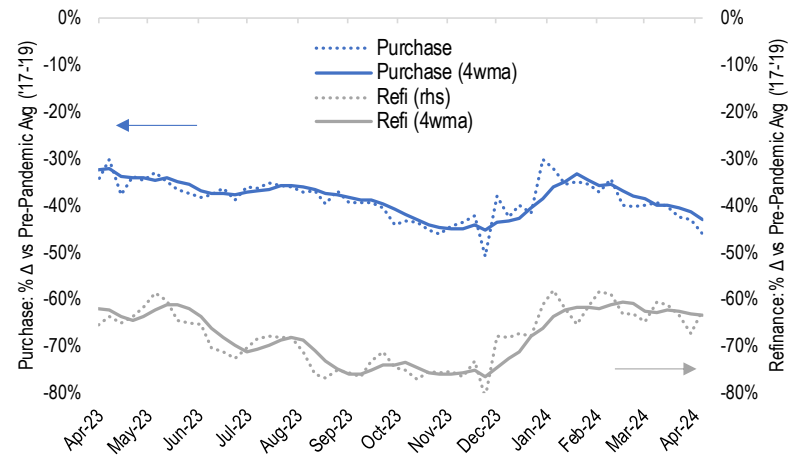
**U.S. Treasury Yields Rose Again Last Week and Mortgage Spreads Trended Higher as well ...**



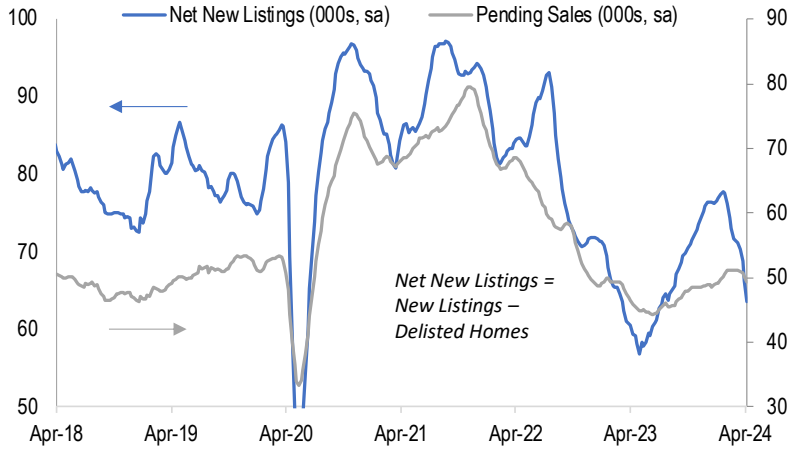
**... lifting Implied Mortgage Rates Further Above 7%, Continuing a Choppy Uptrend over Last Several Months**



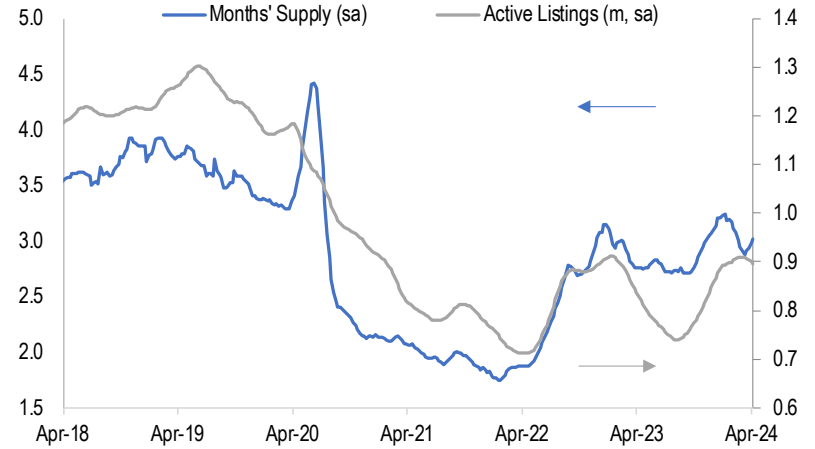
**Mortgage Applications Cooled Further as Elevated Mortgage Rates Continued to Weigh**



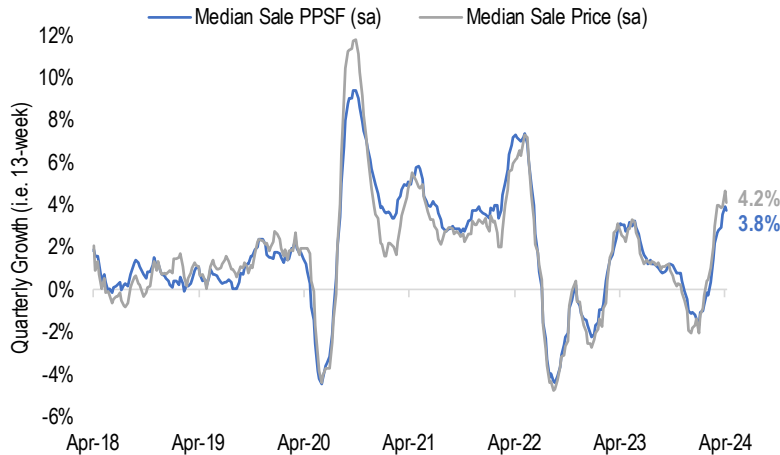
**Real-Time Data on Pending Home Sales Show a Continued Cooldown as New Supply Slowing Rapidly ...**



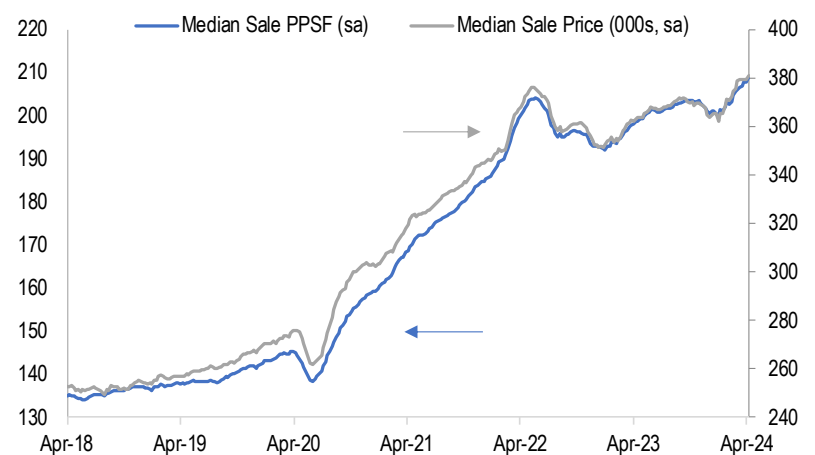
**... causing Months' Supply to Inch Higher after Several Months of Tightening**



**Pace of Seasonally Adjusted Home-Price Growth Continued to Rebound Amidst Still Tight Conditions ...**



**... lifting National Median Sales Prices Further Above Mid-2022 Peak**

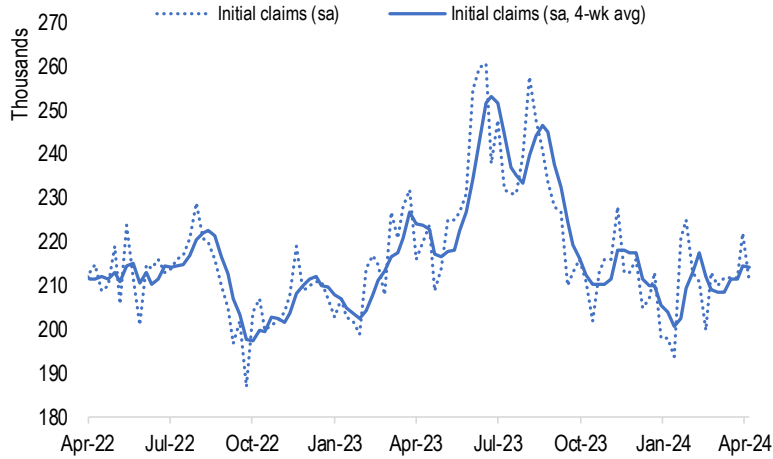


## Although National Home Prices Are Up a Solid 4.7% over a Year Ago, Price Gains Vary Greatly Across the Country

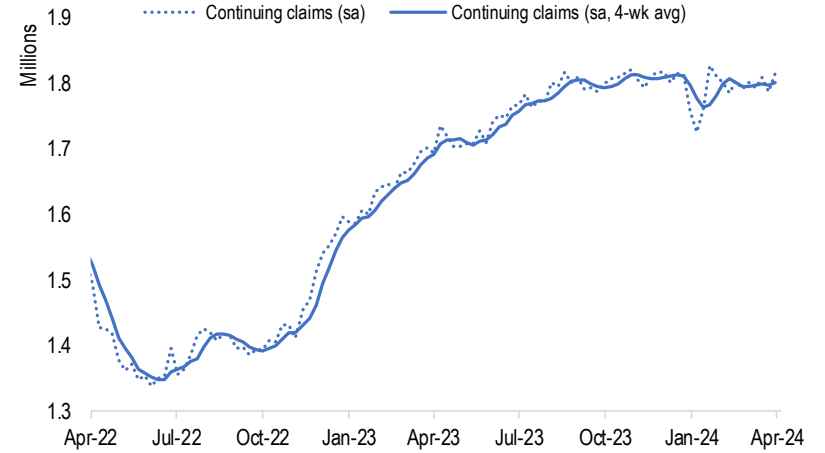
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	4.7%	-1.1%	5.8%	1.6%	28%	0.3%	99.1%	0.2%	8%	-14.1	-13.1	-20%	-28%
Atlanta	5.7%	0.0%	6.0%	2.1%	28%	0.5%	98.9%	0.2%	-14%	-3.3	-0.8	-22%	-18%
Austin	-0.8%	-16.1%	7.1%	0.2%	16%	-0.7%	97.8%	0.3%	8%	30.8	38.9	61%	41%
Baltimore	5.6%	1.0%	5.6%	1.3%	46%	2.6%	101.6%	0.0%	1%	-19.4	-17.9	-38%	-43%
Boston	8.8%	0.0%	3.6%	0.4%	53%	3.6%	101.9%	0.8%	-3%	1.8	2.8	-19%	-16%
Chicago	10.6%	-1.8%	2.5%	0.6%	42%	5.3%	100.0%	0.9%	-18%	5.8	12.0	-24%	-15%
Dallas	1.8%	-3.5%	7.1%	1.6%	21%	-4.4%	98.3%	-0.3%	23%	3.7	3.2	6%	-19%
Denver	4.1%	-8.5%	8.2%	1.8%	34%	-1.1%	99.8%	-0.1%	21%	6.2	2.7	18%	-6%
Houston	3.4%	0.1%	7.1%	2.1%	15%	-2.6%	97.4%	-0.4%	14%	-2.6	0.7	-7%	-20%
Los Angeles	3.5%	-4.3%	3.7%	0.9%	49%	7.1%	101.2%	1.2%	-2%	-6.5	1.6	-11%	-9%
Miami	9.2%	1.4%	4.2%	1.6%	13%	-1.4%	96.2%	-0.2%	16%	-5.5	-2.3	-12%	-33%
Minneapolis	3.9%	-1.7%	2.5%	-0.8%	38%	-0.7%	100.2%	-0.2%	-18%	-0.1	-1.1	-32%	-11%
Nashville	4.1%	1.1%	4.8%	1.0%	17%	-2.0%	98.3%	0.0%	3%	2.3	2.7	-2%	-8%
New York	3.6%	-0.2%	3.4%	0.1%	29%	6.2%	99.5%	0.7%	-9%	-51.3	-35.3	-20%	-24%
Phoenix	4.8%	-7.2%	7.3%	0.6%	17%	1.3%	98.4%	0.5%	8%	2.7	9.6	10%	1%
Portland	2.6%	-4.8%	6.5%	2.2%	36%	0.2%	99.9%	-0.2%	10%	4.2	0.3	8%	-2%
Riverside	6.3%	-4.3%	4.9%	1.2%	39%	5.6%	99.5%	0.7%	-1%	-14.1	-5.6	-20%	-18%
San Diego	9.0%	-4.6%	4.7%	1.5%	50%	8.7%	100.9%	1.1%	17%	-6.8	-2.9	-24%	-37%
Seattle	11.2%	-11.0%	4.6%	0.3%	46%	10.0%	102.3%	2.0%	-4%	-3.4	-0.7	-10%	-4%
Tampa	3.2%	0.7%	10.1%	2.7%	13%	-3.9%	97.4%	-0.2%	40%	-0.6	-5.0	14%	-21%
Washington DC	8.0%	-3.3%	3.8%	0.9%	49%	6.4%	101.3%	0.8%	-3%	4.0	9.3	-17%	-18%

Data as of April 7, 2024, and reflects 4-week averages.

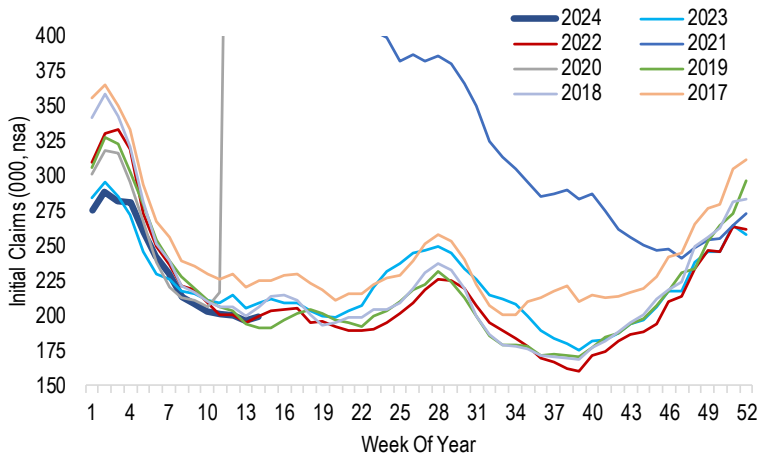
**Initial Claims Still Well Below Pre-Pandemic Norm Despite Early '24 Surge in Announced Layoffs ...**



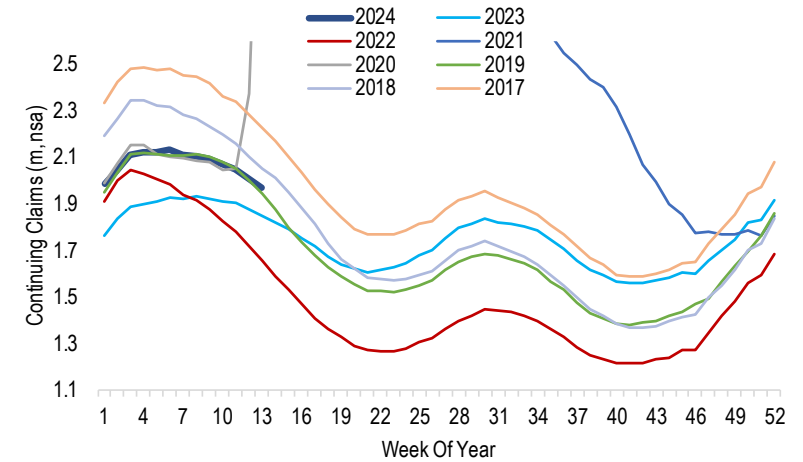
**... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines**



**Non-Seasonally Adjusted Initial Claims Remained in Line with Historic Lows Reached in Recent Years ...**



**... while Continuing Claims Still Tracking Well with Early 2019 Level**





## UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
4/15/24	Empire Manufacturing	Apr	--	-5.0	--	-20.9	index, sa
4/15/24	Advance Retail Sales m/m	Mar	--	0.4%	--	0.6%	sa
4/15/24	Retail Sales Control Group m/m	Mar	--	0.4%	--	0.0%	sa
4/15/24	Business Inventories m/m	Feb	--	0.4%	--	0.0%	sa
4/15/24	NAHB Housing Market Index	Apr	--	51.0	--	51.0	index, sa
4/16/24	Housing Starts	Mar	--	1,482	--	1,521	k, saar
4/16/24	Housing Starts m/m	Mar	--	-2.6%	--	10.7%	sa
4/16/24	Building Permits	Mar	--	1,510	--	1,518	k, saar
4/16/24	Building Permits m/m	Mar	--	-0.9%	--	1.9%	sa
4/16/24	Industrial Production	Mar	--	0.4%	--	0.1%	m/m, sa
4/16/24	Capacity Utilization	Mar	--	78.5%	--	78.3%	sa
4/17/24	MBA Mortgage Applications	4/12/24	--	--	--	0.1%	w/w, sa
4/18/24	Philadelphia Fed Business Outlook	Apr	--	2.3	--	3.2	index, sa
4/18/24	Initial Jobless Claims	4/13/24	--	215	--	211	k, sa
4/18/24	Continuing Claims	4/6/24	--	1,818	--	1,817	k, sa
4/18/24	Conference Board Leading Index	Mar	--	-0.1%	--	0.1%	m/m, sa
4/18/24	Existing Home Sales	Mar	--	4,200	--	4,380	k, saar
4/18/24	Existing Home Sales m/m	Mar	--	-4.1%	--	9.5%	sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

## Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
4/9/24	NFIB Small Business Optimism	Mar	<b>88.5</b>	89.9	--	89.4	index, sa
4/10/24	MBA Mortgage Applications	4/5/24	<b>0.1%</b>	--	--	-0.6%	w/w, sa
4/10/24	CPI m/m	Mar	<b>0.4%</b>	0.3%	--	0.4%	sa
4/10/24	CPI Core (ex Food and Energy) m/m	Mar	<b>0.4%</b>	0.3%	--	0.4%	sa
4/10/24	CPI y/y	Mar	<b>3.5%</b>	3.4%	--	3.2%	nsa
4/10/24	CPI Core (ex Food and Energy) y/y	Mar	<b>3.8%</b>	3.7%	--	3.8%	nsa
4/10/24	Wholesale Trade Sales	Feb	<b>2.3%</b>	0.8%	-1.4%	-1.7%	m/m, sa
4/10/24	Wholesale Inventories	Feb F	<b>0.5%</b>	0.5%	--	0.5%	m/m, sa
4/10/24	FOMC Meeting Minutes	3/20/24	--	--	--	--	
4/11/24	PPI Final Demand m/m	Mar	<b>0.2%</b>	0.3%	--	0.6%	sa
4/11/24	PPI Core (ex Food and Energy) m/m	Mar	<b>0.2%</b>	0.2%	--	0.3%	sa
4/11/24	PPI Final Demand y/y	Mar	<b>2.1%</b>	2.2%	--	1.6%	nsa
4/11/24	PPI Core (ex Food and Energy) y/y	Mar	<b>2.4%</b>	2.3%	2.1%	2.0%	nsa
4/11/24	Initial Jobless Claims	4/6/24	<b>211</b>	215	222	221	k, sa
4/11/24	Continuing Claims	3/30/24	<b>1,817</b>	1,800	1,789	1,791	k, sa
4/12/24	Import Price Index m/m	Mar	<b>0.4%</b>	0.3%	--	0.3%	nsa
4/12/24	Import Price Index y/y	Mar	<b>0.4%</b>	0.3%	-0.9%	-0.8%	nsa
4/12/24	U. of Mich. Sentiment	Apr P	<b>77.9</b>	79.0	--	79.4	index, nsa
4/12/24	U. of Mich. 1 Yr Inflation	Apr P	<b>3.1%</b>	2.9%	--	2.9%	nsa
4/12/24	U. of Mich. 5-10 Yr Inflation	Apr P	<b>3.0%</b>	2.8%	--	2.8%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

**Green** = beat expectations; **Red** = worse than expectations; (compared vs. prior if no consensus estimates available)